

IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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IN RE:

UNITED CITIES GAS COMPANY,
a Division of ATMOS ENERGY
CORPORATION INCENTIVE PLAN
ACCOUNT (IPA) AUDIT

UNITED CITIES GAS COMPANY,
a Division of ATMOS ENERGY
CORPORATION, PETITION
TO AMEND THE PERFORMANCE
BASED RATEMAKING
MECHANISM RIDER

CONSOLIDATED DOCKET NOS.
01-00704 and 02-00850

ATTORNEY GENERAL'S WRITTEN DISCOVERY TO ATMOS ENERGY COMPANY

The Tennessee Office of the Attorney General, through the Consumer Advocate and Protection Division ("Attorney General"), propounds the following Interrogatories, Requests for Production of Documents and Things and Requests for Admissions upon Atmos Energy Corporation ("AEC"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg. 1220-1-2-.11. We request that full and complete responses be provided, under oath, pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate & Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Russell T. Perkins.

PRELIMINARY MATTERS AND DEFINITIONS

These Interrogatories, Requests for Production and Requests for Admission are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the AEC which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that AEC supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

Each Interrogatory calls for all knowledge which AEC has as a party, as distinguished from the solitary knowledge of AEC as an entity or person. That is to say, the answers are to include all knowledge available to AEC, whether it be AEC's solitary knowledge or the knowledge of AEC's attorney or other representative.

For purposes of these Interrogatories, Requests for Production and Requests for Admission, the term "you" shall mean and include: AEC and all employees, agents and representatives thereof.

The term "identity" and "identify" as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, and the title (if any) of the document.

The term "document" as used herein, means any medium upon which intelligence or

information can be recorded or retrieved, and includes, without limitation, the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, memorandum (including memoranda, note or report of a meeting or conversation), photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document or thing was, but no longer is, in your possession or control, state what disposition was made of it and when.

If you produce documents in response to these Interrogatories, Requests for Production or Request for Admissions, please produce the original of each document or, in the alternative, identify the location of the original document. If the “original” document is itself a copy, that copy should be produced as the original.

If any of the Interrogatories are not answered on the basis of privilege or immunity, include in your response to each such Interrogatory a written statement evidencing:

- a. the nature of the communication;
- b. the date of the communication;
- c. the identity of the persons present at such communication; and
- d. a brief description of the communication sufficient to allow the Court to rule on a motion to compel.

If any objections are raised on the basis of privilege or immunity, include in your response, a complete explanation concerning the privilege asserted.

INTERROGATORIES

Consistent with the preceding definitions and preliminary matters, answer under oath the following specific Interrogatories.

1. State each fact you rely on to support your contention that the amendment to the AEC PBR proposed in TRA Docket No. 02-00850 should be approved by the TRA.

RESPONSE:

2. Identify all persons known to you, your attorney, or other agent who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any document(s) which support your answer to Interrogatory number one (1) above.

RESPONSE:

3. Identify each document, photograph, or any other article or thing whatsoever, which you claim to corroborate any part of your contentions, position or belief that the amendment to the AEC PBR proposed in TRA Docket No. 02-00850 should be approved by the TRA, whether as to the issues of credibility or any other issue, or which is adverse to your contentions, position or belief that the amendment to the AEC PBR proposed in TRA Docket No. 02-00850 should be approved by the TRA, whether as to the issues of credibility or any other issue.

RESPONSE:

4. With respect to each person you expect to call as an expert witness, or provide any form of testimony from, regarding this matter, state:

a. their full name and work address;

RESPONSE:

b. each subject matter about which such witness is expected to testify;

RESPONSE:

c. the substance of the facts and opinions to which the expert is expected to testify;

RESPONSE:

d. a summary of the grounds or basis of each opinion to which such witness is expected to testify; and

RESPONSE:

e. whether or not the expert has prepared a report, letter of memorandum of his findings, conclusions or opinions.

RESPONSE:

5. Identify each state where the incentive program set out in the amendment to the AEC PBR proposed in TRA Docket No. 02-00850 has been approved, by state and docket or matter number. Provide copies of the documents and things filed in each.

RESPONSE:

6. Explain in detail the extent to which FERC Order: Modification of Negotiated Rate

Policy, Natural Gas Pipeline Negotiated Rate Policies and Practices, 104 FERC ¶ 61,134 (2003) is or is not relevant to the question of whether the amendment to the AEC PBR proposed in TRA Docket No. 02-00850 should be approved by the TRA.

RESPONSE:

7. What financial concessions did AEC provide to the pipelines that reached negotiated transportation agreements with AEC?

RESPONSE:

8. How much compensation is being provided to Mr. Frank Creamer in relation to testimony, exhibits, or other consulting work for AEC?

RESPONSE:

9. Identify all employees of AEC and affiliates who have received or will receive compensation associated with PBR plan results. How much compensation was and will be provided to each of these employees for the years 1999, 2000, 2001, 2002, 2003 and 2004? Will the compensation to any of these individuals be reduced should AEC not prevail in TRA Dockets 01-00704 and 02-00850?

RESPONSE:

10. Identify all AEC and affiliate personnel or agents who are involved in gas purchasing or transportation decisions and the duties of each employee and/or agent. Provide the salaries, bonuses, and any other compensation provided to each of these and identify how much of this

compensation is allocated to Tennessee expenses or investments.

RESPONSE:

11. Lines 164-166 of Mr. Creamer's testimony, filed July 30, 2004, describe how "Atmos could increase its savings on the commodity portion, which it would share in, by entering into relatively high transportation cost arrangements (which would be passed on to the ratepayer) in order to lower commodity costs." Explain in detail how AEC could do this? Who would provide the transportation? Who would provide the gas? How would the gas provider recover losses from the transportation provider? If AEC could make money doing this, has this already been done? Does AEC intend to pursue the path outlined by Mr. Creamer?

RESPONSE:

12. Has AEC or affiliates made gas purchases similar to those illustrated in "Option 1" of Attachment A to Mr. McCormac's testimony, filed July 30, 2004, in which the total delivered cost at the "Maximum FERC Rate" would be greater than the cost of gas that could have been purchased at the city gate? Provide details of all such purchases and explain the reasoning behind these purchases.

RESPONSE:

13. Does Mr. Creamer's approach to quantifying "transportation savings," an approach he describes in his July 30 testimony from page 13 to 20, result in "transportation savings" identical in amount to the "transportation savings" which the TRA staff discovered in its audit of the AEC in Docket 01-00704? If not, provide the "transportation savings" Mr. Creamer's approach would

provide if his approach were applied to the current PBR plan, and provide the "transportation savings" Mr. Creamer's approach would provide if his approach were applied to the new PBR plan proposed on Docket 02-00850.

RESPONSE:

14. Describe in detail how the FERC's maximum transportation price is set.

RESPONSE:

15. If your response to any Request for Admission is other than an unqualified admission, state for each such Request for Admission the following:

a. all facts that you contend support in any manner your response to the extent it is not a complete admission;

RESPONSE:

b. for any information you contend is incorrect or inaccurate provide the correct information;

RESPONSE:

c. identify all documents, or any tangible or intangible thing that supports in any manner your lack of admission or your qualification of your admission;

RESPONSE:

d. the name and address of the custodian of all tangible things identified in response to

subsection (b) of this interrogatory; and

RESPONSE:

- e. the name and address of all persons, including consultants, purporting to have any knowledge or factual data upon which you base your lack of admission or your qualification of your admission.

RESPONSE:

REQUESTS FOR THE PRODUCTION OF DOCUMENTS AND THINGS

Consistent with the preceding definitions and preliminary matters, you are requested to produce the documents and things described in the following paragraphs:

1. Any and all documents identified in your answers or responses to these Interrogatories.

RESPONSE:

2. Any and all documents reviewed to prepare your answers or responses to these Interrogatories.

RESPONSE:

3. Any and all expert reports which have been obtained from any expert.

RESPONSE:

4. Each document, photograph, or any other article or thing whatsoever, upon which you rely in support of your contention(s), position(s) or belief(s) that the amendment to the AEC PBR proposed in TRA Docket No. 02-00850 should be approved by the TRA.

RESPONSE:

5. Provide copies of emails, notes, reports, or studies which are authored before January 31, 2001 by any AEC employee(s), expert(s), or consultant(s) and which refer to FERC's maximum transportation price.

RESPONSE:

6. Produce all documents and things used by AEC or affiliates used to make prudent purchasing and transportation decisions for 1999 through 2003.

RESPONSE:

7. Produce all documents and things used to determine the quality of gas purchased from NORA.

RESPONSE:

VERIFICATION

I, _____, hereby depose and say, after having been first duly sworn, that I have read the foregoing Interrogatories and the answers and responses thereto are true

according to the best of my knowledge, information, and belief.

Name: _____
Title: _____

STATE OF _____)
COUNTY OF _____)

Personally appeared before me, _____, with whom I am personally acquainted, and who acknowledged that he has answered the foregoing Interrogatories and executed the foregoing instrument for the purposes therein contained.

Witness my hand, at office, on this _____ day of _____, 2004.

NOTARY PUBLIC

My Commission Expires: _____

REQUESTS FOR ADMISSION

Consistent with the proceeding definitions and preliminary matters, you are requested to admit to the following statements of fact.

1. A published index for transportation costs does not currently exist.

RESPONSE:

2. AEC knew in 2001 that a published index for transportation costs did not exist.

RESPONSE:

3. AEC knew in 2000 that a published index for transportation costs did not exist.

RESPONSE:

4. AEC knew in 1999 that a published index for transportation costs did not exist.

RESPONSE:

5. AEC knew in 1998 that a published index for transportation costs did not exist.

RESPONSE:

6. AEC knew in 1997 that a published index for transportation costs did not exist.

RESPONSE:

7. AEC knew in 1996 that a published index for transportation costs did not exist.

RESPONSE:

8. AEC knew in 1995 that a published index for transportation costs did not exist.

RESPONSE:

9. Before the January 31, 2001 meeting with the TRA Staff, AEC had not prepared memoranda, emails, notes, reports, studies or other documents which refer to FERC's maximum transportation price.

RESPONSE:

10. Pages 13 - 20 of Frank Creamer's testimony, filed July 30, 2004, provides an example of Mr. Creamer's opinion on "how transportation costs savings should be calculated for a particular month under the current PBR plan." Admit that this "current" plan and its formulas have not previously been discussed in any record before the TRA, outside TRA Dockets 01-00704 and 02-00850.

RESPONSE:

11. The amount of \$.3522, shown under the column titled "Index (\$/MMBTU)" in the table included in paragraph 21 of Mr. Creamer's affidavit of October 21, 2002, is not an index.

RESPONSE:

12. The amount of \$.3522 is at least six times larger than the transportation costs of "5 ½ cents" identified in the transcript of Docket No. 97-01364, Volume III page 799, line 20.

RESPONSE:

13. The term "Bundled Index," shown under the column titled "Category" in the table included in paragraph 21 of Mr. Creamer's affidavit filed October 21, 2002, does not appear in the record of Docket No. 97-01364.

RESPONSE:

14. The term "Bundled Index," shown under the column titled "Category" in the table included in paragraph 21 of Mr. Creamer's affidavit filed October 21, 2002, is the first instance of "Bundled Index" being used in Docket No. 01-00704.

RESPONSE:

15. AEC is unable to identify any financial incentive for the pipelines to provide transportation services to AEC at prices below the FERC maximum rate.

RESPONSE:

16. AEC has never paid more than the FERC maximum rate for transportation services.

RESPONSE:

17. Any market index for the pricing of transportation services would be less than the FERC maximum rate.

RESPONSE:

18. AEC intends to invite pipeline companies to end their discount-pricing of transportation services to AEC if the TIF tariff is denied by the TRA.

RESPONSE:

19. AEC intends to voluntarily increase its payments for discount-price transportation services being provided to AEC if the TIF tariff is denied by the TRA.

RESPONSE:

20. The transportation prices paid by AEC in the past are not a market index.

RESPONSE:

21. AEC took no risk to get pipelines to discount their prices for transportation services provided to AEC.

RESPONSE:

22. The East Tennessee Pipeline is an upstream pipeline for AEC in Tennessee.

RESPONSE:

23. The East Tennessee Pipeline is a downstream pipeline for AEC in Tennessee.

RESPONSE:

24. The Tennessee Pipeline is an upstream pipeline for AEC in Tennessee.

RESPONSE:

25. The Tennessee Pipeline is a downstream pipeline for AEC in Tennessee.

RESPONSE:

26. The Texas Eastern Pipeline is an upstream pipeline for AEC in Tennessee.

RESPONSE:

27. The Texas Eastern Pipeline is a downstream pipeline for AEC in Tennessee.

RESPONSE:

28. The Southern Natural Gas Pipeline is an upstream pipeline for AEC in Tennessee.

RESPONSE:

29. The Southern Natural Gas Pipeline is a downstream pipeline for AEC in Tennessee.

RESPONSE:

30. The Nora Pipeline is an upstream pipeline for AEC in Tennessee.

RESPONSE:

31. The Nora Pipeline is a downstream pipeline for AEC in Tennessee.

RESPONSE:

32. The Columbia Gulf Pipeline is an upstream pipeline for AEC in Tennessee.

RESPONSE:

33. The Columbia Gulf Pipeline is a downstream pipeline for AEC in Tennessee.

RESPONSE:

34. The FERC currently develops a maximum annual transportation rate for each pipeline that, when applied to the pipeline's contract demand and throughput levels, will enable the pipeline to recover its annual cost-of-service revenue requirement.

RESPONSE:

35. The FERC's maximum annual transportation rate for each pipeline is also known as

the "FERC Maximum Rate."


RESPONSE:

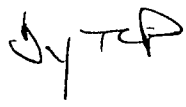
As to the Request for Admissions,

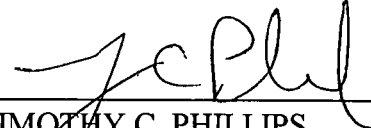
[Print Name] _____
Attorney for defendant

Respectfully submitted,

FOR THE STATE OF TENNESSEE:



RUSSELL T. PERKINS
Deputy Attorney General
B.P.R. #10282 



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(615) 741-8700

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via facsimile transmittal and by U.S. Mail on August 13, 2004.

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